

State of California



**CALIFORNIA TRANSPORTATION COMMISSION**

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Sacramento, 94273-0001

**AGENDA  
Fund Estimate Workshop**

**April 13, 2005  
1:00 p.m.**

Welcome	Commissioner Hallisey
Background and Overview	David Brewer
Policy Issues and Assumptions	Norma Ortega
Recap	David Brewer
Closing Remarks	Commissioner Hallisey

# 2006 Fund Estimate Assumptions

With the development of every Fund Estimate (FE), the California Transportation Commission (CTC) is required to make several assumptions regarding revenue and expenditures projections over next 5 to 7 years. Because the FE determines the funding available for the State Transportation Improvement Program (STIP), these assumptions have significant long-term implications for the State's transportation system.

During the development of the 2006 FE, three policy issues were identified that could have a significant impact on the FE. These issues include:

- 1. How should Traffic Congestion Relief Fund (TCRF) loan repayments to the SHA, PTA and other transportation funds be scheduled in the Fund Estimate?***
- 2. How should Transportation Investment Fund (TIF) transfers be scheduled in the Fund Estimate?***
- 3. How should General Fund repayments to Transportation Deferred Investment Fund (TDIF) be scheduled in the Fund Estimate?***

Because of the uncertainty surrounding these revenue assumptions, the CTC has requested the development of a Two-Tiered FE to estimate, in advance, the possible programming capacity levels under two scenarios.

**Tier 1** would be a conservative estimate that would provide transportation planning agencies with a certain level of confidence in programming capacity. Revenues would consist primarily of state excise fuel tax, weight fees, and federal revenues

**Tier 2** would be a more optimistic estimate based on existing law. It would include programming capacity from Tier 1, plus additional capacity from realizing TIF transfers, TCRF Loan Repayment, and TDIF repayments.

The remainder of this document contains two sections covering the proposed assumptions for the 2006 FE. Section 1, Assumption Highlights, provides background information on the policy issues above, and the options assumed in each Tier. Section 2, Proposed Assumptions, contains the remaining revenue and expenditure assumptions proposed for the 2006 FE.

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## Section 1. Assumption Highlights

### TCRF Loan Repayment (Items SHA 13 and PTA 7)

#### Background

Since the passage of the Traffic Congestion Relief Act of 2000 (TCRA), Transportation Investment Fund (TIF) transportation funding has been delayed, or partially suspended in each year. These funds were retained by the General Fund to cover revenue shortfalls in the state budget. Consequently, loans have been made to the Transportation Congestion Relief Fund (TCRF) from the State Highway Account (SHA) and Public Transportation Account (PTA) to cover the costs of existing Transportation Congestion Relief Program (TCRP) projects.

- From 2000-01 through 2002-03, the SHA provided TCRP \$89 million for support costs. This loan was to be repaid by June 2007.
- In 2001-02, Assembly Bill (AB) 438 authorized a loan of \$275 million from the PTA and \$180 million from the SHA to the TCRF, with the SHA to be repaid by June 2007 and the PTA by June 2008.
- In 2002-03, Senate Bill (SB) 1834, trailer bill to the 2002-03 Budget Act, increased the authorized SHA loan amount to the TCRF from \$180 million to \$654 million, a \$474 million increase subject to repayment with interest by June 2007.
- The SHA received a partial loan repayment of \$100 million in 2003-04 from the TCRF, and a payment of \$20 million in 2004-05 for support costs.
- The current outstanding balances for the SHA and PTA loans to the TCRF are \$443 million and \$275 million, respectively. Under AB 438, the SHA balance is to be paid by June 2007 and the PTA balance by June 2008.

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#### Update

In 2004-05, the Governor negotiated a compact with five Indian tribes as outlined by AB 687, proposing that revenues from Tribal Gaming be used to secure a bond issuance. Bond proceeds of \$1.214 billion have been designated for General Fund loan repayments to transportation funds in 2005-06, including the \$457 million (\$443 million + \$14 million interest) to the SHA and \$275 million to the PTA.

- A legal challenge has been filed regarding the legality of AB 687. Until this lawsuit is resolved, the state cannot issue the bonds.
- The cost of issuing the bonds may substantially reduce the net proceeds.
- The 2005-06 Governor's Budget proposes a trailer bill that would make "repayment of these loans **explicitly contingent** upon receipt of the tribal gaming revenues".

### **TCRF Loan Repayment Issue**

***How should the 2006 Fund Estimate schedule the TCRF loan repayments to the SHA, PTA and other transportation funds?***

#### **Options for TCRF Loan Repayment:**

- A. Assume bond proceeds secured by Tribal Gaming revenues are received and outstanding loans are paid in 2005-06. (Existing Law)
- B. Assume no Tribal Gaming revenues, and outstanding loans are paid as outlined in AB 438: \$443 million to SHA in 2006-07 and \$275 million to PTA in 2007-08. (Existing Law)
- C. Assume a lesser amount of bond proceeds secured by Tribal Gaming revenues are received, and outstanding loans are paid in 2005-06.
- D. Assume no bonds are issued, but revenue stream from Tribal Gaming compact is used to pay outstanding loans.
- E. Assume no Tribal Gaming revenues and no loan repayments during the Fund Estimate period.

#### **Recommendation:**

This issue has been identified as a Tier defining issue, with Tier 1 representing a conservative revenue outlook and Tier 2 realizing some of these revenues. Based on this approach the Tiers would be defined as follows.

TIER 1: Option E.

TIER 2: Option A.

Note: Options C and D would require an additional assumption on how the loan repayment would be distributed when there is a lesser amount available or a payments are spread over a longer period.

### **Transportation Investment Fund (TIF) Transfers (Items TIF 2 and PTA 8)**

#### **Background**

The TCRA created TIF to receive transfers of revenue from gasoline sales tax and make a quarterly transfer of \$169.5 million to the TCRP. The remaining balance was to be distributed to the PTA, Local government, and State Transportation Improvement Program (STIP) by formula. Subsequent legislation delayed the first TIF transfers and Proposition 42 made them permanent beginning in 2007-08.

The Transportation Refinancing Plan, AB 438, deferred the General Fund transfer of sales tax revenues from motor vehicle fuel to the TIF for two years, beginning 2003-04 and ending 2007-08.

AB 438 authorized a loan of \$350 million from the SHA to the TCRF to fund the TCR local road subvention program, with the SHA to be “repaid” by increased TIF funding for the STIP in 2006-07 and 2007-08.

In March 2002, Proposition 42 made the transfer of the sales tax on gasoline to the TIF permanent, and requires that the gasoline sales tax revenue transferred to the TIF beginning in 2008-09 be used for State and local transportation purposes with the revenues allocated as follows:

- 20 percent to the PTA.
- 40 percent to transportation improvement projects funded in the STIP.
- 40 percent to local streets and roads improvements; with half of the amount (20 percent) allocated to counties and half to cities.

Proposition 42 allows the Legislature, upon a two-thirds vote, to enact a statute suspending in whole or in part the transfer to TIF for a fiscal year.

#### **Update**

The 2003-04 Budget Act provided a partial transfer of \$289 million in revenue from the General Fund to the TIF to fund TCRP projects in 2003-04. The remaining \$856 million was not transferred but considered a loan to the General Fund to be repaid to the Transportation Deferred Investment Fund (TDIF) in 2008-09.

SB 1099 suspended the General Fund transfer to TIF in 2004-05. SB 1098 stated repayment of \$1.243 billion would be made to TDIF with interest by June 2008.

The 2005-06 Governor’s Budget proposes to suspend the transfer of \$1.31 billion to TIF in 2005-06, and proposes a 15-year payback period beginning in 2007-08.

The Administration announced a budget control proposal that will prohibit the suspension of Proposition 42 funding beginning in fiscal year 2007-2008 (ACA 4X; Keene, R-Chico). This proposal would require a constitutional amendment.

### **TIF Transfer Issue**

*How should the 2006 Fund Estimate schedule TIF transfers over the Fund Estimate period?*

#### **TIF Transfer Options:**

- A. Assume a TIF transfer in 2006-07 and transfers continue for remainder of the Fund Estimate period. (Existing Law)
- B. Assume no TIF transfers will occur during the Fund Estimate period.
- C. Assume TIF transfers will begin in 2007-08 and continue for remainder of the Fund Estimate period. (Governor's budget control proposal)

Note: The outcome of the 2005-06 TIF transfer will be determined by the enacted 2005-06 Budget.

### **Recommendation:**

This issue has been identified as a Tier defining issue, with Tier 1 representing a conservative revenue outlook and Tier 2 realizing some of these revenues. Based on this approach the Tiers would be defined as follows.

TIER 1: Option B

TIER 2: Option A.



### **Transportation Deferred Investment Fund (TDIF) Repayment (Items TDIF 1 and PTA 9)**

#### **Background**

In response to SB 1750's partial suspension of TIF in 2003-04, SB 1751 established the TDIF to facilitate the repayment of funds from the General Fund. Repayments from General Fund to the TDIF are to be distributed in the same manner and amounts that would have been made from the TIF. The General Fund must also transfer interest calculated at the Pooled Money Investment Account (PMIA) rate into the TDIF. Since 2003-04 TIF transfers have been limited or delayed as follows:

- SB 1750 partially suspended the transfer of motor vehicle fuel sales tax revenues from the General Fund to the TIF, limiting it to \$289 million for transfer to the TCRF for 2003-04.
- AB 438 authorized a loan of \$350 million from the SHA to the TCRF to fund the TCR local road subvention program, with the SHA to be repaid by receiving 80 percent of TIF transfers in 2006-07 and 2007-08.
- SB 1099 suspended the General Fund transfer to TIF of approximately \$1.1 billion in Fiscal year 2004-05. Senate Bill 1098 stated repayment of \$1.243 billion would be made to TDIF with interest by June 30, 2008.
- The 2005-06 Governor's Budget proposes to suspend the transfer of \$1.310 billion to TIF for FY 2005-06, and states that this amount will be repaid over a 15-year period beginning in 2007-08.

The Administration has announced a budget control proposal which will prohibit the suspension of Proposition 42 funding beginning in fiscal year 2007-2008 (ACA 4X; Keene, R-Chico), and proposes that all TIF suspensions will be paid over a 15-year period beginning in 2007-08.

#### **TDIF Repayment Issue**

***How should the 2006 Fund Estimate schedule the General Fund repayments to TDIF over the Fund Estimate period?***

### **TDIF Repayment Options:**

- A. Assume 2003-04 and 2004-05 TIF suspensions are repaid to the TDIF in June 2009 and June 2008 as prescribed by AB 1751 and SB 1098, respectively. (Existing Law)
- B. Assume all TIF suspensions are repaid to the TDIF over a 15-years period. (Governor's Budget.) This option would require an additional assumption on how the payments would be distributed (see below).
- C. Assume no TDIF repayments during the Fund Estimate period.
- D. Assume the revenue stream from the 15 year payback is fire-walled (assumes initiative makes the November and it is passed), and revenue bonds are issued to advance payments to the TDIF. (Governor's budget control proposal)

### **Recommendation:**

This issue has been identified as a Tier defining issue, with Tier 1 representing a conservative revenue outlook and Tier 2 realizing some of these revenues. Based on this approach the Tiers would be defined as follows.

TIER 1: Option C.

TIER 2: Option A.

### Two-Tier Fund Estimate Options

<b>Policy Issues</b>	<b>Tier 1 Options</b>	<b>Tier 2 Options</b>
<b>TCRF Loan Repayment</b>	<b>E.</b> Assume no Tribal Gaming revenues and no loan repayments during the Fund Estimate period.	<b>A.</b> Assume bond proceeds secured by Tribal Gaming revenues are received and outstanding loans are paid in 2005-06. (Existing Law)
<b>TIF Transfer</b>	<b>B.</b> Assume no TIF transfers will occur during the Fund Estimate period.	<b>A.</b> Assume a TIF transfer in 2006-07 and transfers continue for remainder of the Fund Estimate period. (Existing Law)
<b>TDIF Repayments</b>	<b>C.</b> Assume no TDIF repayments during the Fund Estimate period.	<b>A.</b> Assume 2003-04 and 2004-05 TIF suspensions are repaid to the TDIF in June 2009 and June 2008 as prescribed by AB 1751 and SB 1098, respectively. (Existing Law)

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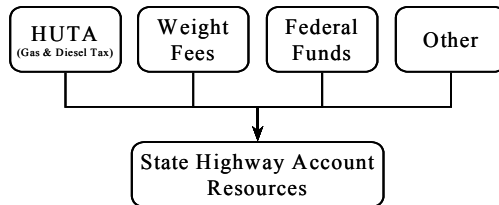
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## Section 2. Proposed Assumptions

### STATE HIGHWAY ACCOUNT (SHA)

The SHA is the main funding source for the State's highway transportation program. The three major sources of funds for the SHA are fuel excise taxes transferred from the Highway Users Tax Account (HUTA), motor vehicle weight fees, and reimbursements from the Federal Trust Fund for federal-aid highway projects. Federal funds received by the Department come from federal fuel excise taxes that are deposited in the Federal Highway Trust Fund. The taxes are apportioned and allocated back to California through the Federal Transportation Act and the federal budget.



### State Highway Account (SHA) Revenue Assumptions

#### **Beginning Cash Balance**

SHA 1. The beginning balance of the 2006 Fund Estimate (FE) is currently projected to be \$230 million. The actual adjusted cash balance as of June 30, 2005 will be the beginning balance of the 2006 FE.

#### **Prudent Cash Balance**

SHA 2. Adopt the prudent cash balance of \$340 million which should cover 95 percent of the monthly volatility from receipts less expenditures in the SHA.

#### **State Revenues**

SHA 3. Fuel excise tax revenues are estimated to grow at an average annual rate of 2.4 percent for the five year FE period.

SHA 4. Revenue from the excise tax on liquefied petroleum gas, natural gas, ethanol and methanol is projected to remain constant at \$5 million throughout the FE.

SHA 5. Weight Fee revenues in the 2006 FE are estimated to grow at approximately 3.1 percent annually over the five year period. This is consistent with the weight fee collection history prior to Senate Bill (SB) 2084 and SB 1055.

Forecasted Weight Fee Revenues						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Weight Fee Revenues	\$887.5	\$916.7	\$945.8	\$974.9	\$1,004.1	\$1,033.2
Growth Rate		3.3%	3.2%	3.1%	3.0%	2.9%

SHA 6. Surplus Money Investment Fund (SMIF) income will be based on the projected year ending cash balances and the current SMIF rate of 1.995 percent as of December 2004.

SHA 7. Revenues from Other Regulatory Licenses and Permits are estimated to increase at an average annual rate of 2.4 percent.

### **Transfers**

SHA 8. Revenues from non Article XIX sources will be forecasted based on historical transfers to the SHA, and transferred to the Public Transportation Account (PTA) per Section 183.1 of the Streets and Highways (S&H) Code the year after they are received.

SHA 9. The transfer to PTA for planning pursuant to S&H Code Section 194 is determined by formula and is based on the forecast of PTA State Operations expenditures.

SHA 10. Motor Vehicle Account (Fund 044) transfers to the SHA will be forecasted based on historical transfers to the SHA.

SHA 11. The transfers from the SHA to the Toll Bridge Seismic Retrofit Account (TBSRA) will be scheduled as \$342 million in the 2005-06 fiscal year, and \$8.3 million in the 2006-07 fiscal year, per Assembly Bill (AB) 1171 (Chapter 907, Statutes of 2001).

### **Loans**

SHA 12. A loan of \$35 million was made from the SHA to the California Highway Patrol (CHP), pursuant to the Budget Act of 1997 (Chapter 282 Statutes of 1997). The FE assumes no repayment.

SHA 13. **Traffic Congestion Relief Fund (TCRF) Loan Repayment assumption is discussed in the Assumptions Highlights section.**

### **Federal Revenues**

SHA 14. The 2006 FE assumes an August Redistribution of \$29 million in each year based on the average amount received over the last Transportation Act.

SHA 15. Existing federal programs currently authorized are assumed to continue into the next federal transportation act.

SHA 16. The California Obligation Authority (OA) level is estimated based on the proposed House Bill HR3 (TEALU) resulting in approximately \$15.2 billion in California OA for the FE period. This assumption may be revisited as more information becomes available.

SHA 17. California OA will be adjusted downward in the first year of the 2006 FE to reflect the impact of the last year of reduced state contributions to the Federal Highway Trust Fund from the state's conversion to ethanol.

### **State Highway Account (SHA) Expenditure Assumptions**

#### **Display of Existing Commitments**

SHA 18. Adopt new methodology of displaying existing commitments. Display cash flows for all State Highway Operation and Protection Program (SHOPP) and only allocated State Transportation Improvement Program (STIP) projects. The remaining balance of cash available will represent resources available for STIP.

#### **Capital Project Escalation Rates**

SHA 19. Use the California Highway Construction Cost Index (CHCCI) average growth rate of 3.0 percent over the previous 10 years for estimating Capital construction costs.

SHA 20. Accept Department of Finance (DOF) California Construction Cost Index (CCCI) escalation rate of 5.5 percent for the construction of office buildings.

#### **State Operations**

SHA 21. State Operations, excluding Capital Outlay Support (COS), will be based on the enacted 2005-06 Budget and escalated using the DOF price deflator escalation rate of 2.5 percent per year over the Fund Estimate period.

SHA 22. State Operations will include a \$50 million efficiency savings in each of the FE years to reflect a Department-Agency goal.

SHA 23. Professional Engineers in California Government (PECG), otherwise known as collective bargaining Unit 9, negotiated a raise in each year from 2005-06 through 2008-09. This increase will impact indirect support under State Operation as well as direct support costs for SHOPP, STIP and Local Assistance.

SHA 24. Based on a review of Department expenditures for four fiscal years, the 2006 FE will include a \$52 million reservation in each of the 2006-07 and 2007-08 years for regularly occurring expenditures associated with traffic congestion, safety, and information technology upgrades (excluding COS, Maintenance, and Operations).

SHA 25. Maintenance and Operations expenditures will include adjustments in 2006-07 and 2007-08 for increased inventory levels.

### **State Highway Operation and Protection (SHOPP) Program**

SHA 26. SHOPP Program will be based on the proposed 10-Year SHOPP plan level of \$1.73 billion per year over the FE period.

- A. Minor Program will continue at \$100 million per year beginning with 2005-06 and include Minor Right of Way costs.
- B. Right of Way costs are estimated to be 3.3 percent of total SHOPP capital. Right of Way costs are programmed through 2007-08. For later years, it is assumed that Right of Way will be 3.3 percent of the accepted SHOPP level.

SHA 27. COS will be based on the approved SHOPP level as currently programmed and future levels as determined.

SHA 28. The Toll Bridge Seismic Retrofit Program (TBSRP) contingency is assumed to equal the full amount of the \$448 million authorized by AB 1171 (Chapter 907, Statutes of 2001). The cash flow of the contingency is based on the Department's TBSRP Plan of Finance, developed to meet the requirements of AB 1171.

SHA 29. Facilities expenditures for State owned facilities are based on the enacted 2005-06 Budget and the Department's five-year Capital Outlay plan.

SHA 30. Amounts shown for Stormwater in 2006-07 and beyond, are estimates for stormwater treatment projects required by regulatory agencies and identified in the proposed 10-year SHOPP plan.

SHA 31. Award savings factors are used to reduce the allocation levels to estimated contract award values. For 2005-06 and beyond, award savings is based on actual levels in 2003-04 and 2004-05.

### **Local Assistance**

SHA 32. Local Assistance federal project delivery is assumed 100 percent over the FE period.

SHA 33. Federal lump sum allocation will not be cash flowed to reflect the fact that 100 percent of the local OA will be delivered, and the State no longer has use of this OA.

SHA 34. A 4-year payback of \$200 million in OA by the State to local assistance will pay \$50 million per year and begin in 2005-06.

SHA 35. The state and local percentage split for allocation of federal funds, including August Redistributions, is estimated at 36/64.

SHA 36. No Local Assistance state matching funds will be set aside for Local Seismic Retrofit projects in the 2006 FE.

SHA 37. The STIP Planning, Programming and Monitoring (PPM) and match is assumed to be fully expended within one year. Expenditure levels reflect continuation of all programs authorized under current statutes.

SHA 38. Safe Routes to School Program assumes that funding for this program is a separate program in the new Federal Act and under state Legislation the exchange of



federal funds for state funds is available through January 2008. FE assumes exchange of federal funds for state funds (SB 1087, Ch 392. Statutes of 2004). State law may be changed depending on the approval of the new federal act.

SHA 39. State expenditures assume allocation for Railroad Crossing Protection Maintenance Program at \$1 million annually for the FE period consistent with California Transportation Commission Resolution G04-11.

SHA 40. The 2006 FE will include a \$10 million transfer per year to the Environmental Enhancement Mitigation (EEM) Program beginning in 2006-07 as intended under S&H Code Section 164.56.

### **Reservations**

SHA 41. The amount held for the Prudent Cash Balance is assumed to encompass any need for a reservation for economic uncertainties over the FE period. No additional amount is held for economic uncertainties.

### **State Transportation Improvement Program(STIP)**

SHA 42. STIP expenditure levels reflect a continuation of all programs authorized under the current program and all amendments, based on Commission allocation criteria for 2004-05. Unallocated program from 2004-05 has been shifted to 2005-06.

SHA 43. COS expenditures will be based on the program level of allocated STIP projects through 2004-05 and support costs for projects programmed for 2005-06.

SHA 44. Since cash expenditures for state highway projects are based on contract values, it is necessary to use award savings factors to reduce allocation levels to contract award values. For 2005-06 and beyond, award savings are based on actual levels in 2003-04 and 2004-05.

### **Grant Anticipation Revenue Vehicles (GARVEE)**

SHA 45. Revenue from the sale of bonds for these projects will be dedicated to those projects, and cannot be used for any other purpose. The sale of GARVEE bonds requires that payment of debt service receive first call against annual federal OA.

SHA 46. No GARVEE bonds will be approved for 2005.

SHA 47. Assume that any new GARVEE project(s), funded from bonds sold in 2006 or later, are within the identified resources for programming.

### **Assembly Bill (AB) 3090 Projects**

SHA 48. Assume the replacement or reimbursement for any new AB 3090 project is within the identified resources for programming.

### **Advanced Project Development Element (APDE)**

SHA 49. Do not include the APDE, since there will be insufficient funds available.

### PUBLIC TRANSPORTATION ACCOUNT (PTA)

The PTA is a trust fund for transportation planning and mass transportation purposes. Revenue from state sales tax on gasoline and diesel fuel is distributed by formula to the State's General Fund, local agencies and to the PTA. Funds are also transferred into the account from the SHA and the Aeronautics Account to pay for the Department's highway and airport planning activities that are not payable from sales tax revenue in the PTA. Additionally, the PTA receives a transfer of miscellaneous SHA revenues pursuant to Streets & Highway Code Section 183.1, however, these funds were diverted from the PTA in 2003-04 and 2004-05.

#### Public Transportation Account (PTA) Revenue Assumptions

- PTA 1. The beginning PTA cash balance for the 2006 FE is calculated on an accrual basis and will be based on the year end balance as of June 30, 2005.
- PTA 2. The Department of Finance (DOF) estimates gasoline and diesel fuel sales tax revenues. Future years will reflect the average annual growth of past transfers at an escalation rate of 1.7 percent on gasoline and 3.5 percent on diesel fuel.
- PTA 3. 2005-06 Governor's Budget eliminates the transfer of spillover in 2005-06 and instead transfers the funds to the General Fund. This assumption will be updated to reflect the enacted Budget.
- PTA 4. Federal Trust Funds are matching resources for support functions of eligible mass transit and planning expenditures within State Operations.
- PTA 5. Transfer from the Aeronautics Account per Public Utilities Code, Section 21682.5 is \$30,000 per fiscal year.
- PTA 6. AB 2928 (Chapter 91, Statutes of 2000) mandates the transfer of miscellaneous revenues from the SHA into the PTA under S&H Code Section 183.1. Transfers are based on previous year revenues.
- PTA 7. **Traffic Congestion Relief Fund (TCRF) Loan Repayment assumption is discussed in the Assumptions Highlights section.**
- PTA 8. **The TIF Transfer assumption is discussed in the Assumptions Highlights section.**
- PTA 9. **The TDIF Repayment assumption is discussed in the Assumptions Highlights section.**
- PTA 10. S&H Code Section 194 requires the transfer of SHA funds into the PTA to fund planning activities attributable to highways and mass transit guideways. The transfer is determined by formula based on a breakdown of PTA State Operations expenditures.
- PTA 11. The PTA share of the Toll Bridge Seismic Retrofit Program costs per AB 1171 (Chapter 907, Statutes of 2000) is \$30 million in 2005-06 and \$40 million in 2006-07.

PTA 12. Adopt the recommended prudent cash balance of \$65.5 million for the FE period.

### **Public Transportation Account (PTA) Expenditure Assumptions**

PTA 13. Intercity Rail is part of the State Operations expenditures in the PTA. Expenditures are based on the 2004 State Rail Plan:

- Intercity rail and bus operations base expenditures for existing services is estimated at \$73.1 million for each year of the FE.
- Expenditures for increased services on existing routes are estimated at \$57.3 million over the FE period. Expenditures for new routes are estimated at \$107.6 million over the FE period.
- The Department's estimated need for heavy equipment maintenance/overhaul over the FE period is estimated at \$62.8 million.

PTA 14. \$2.8 million is authorized for Bay Area Ferry operations. Future expenditures are escalated by 1.01 percent based on historical expenditures.

PTA 15. State Operations will be based on the enacted 2005-06 Budget level and escalated at 2.5 percent per year.

### TRANSPORTATION INVESTMENT FUND (TIF)

The TIF was established as a result of the passage of the Traffic Congestion Relief Act of 2000 established through Chapter 91, Statutes of 2000 (AB 2928) and Chapter 656, Statutes of 2000 (SB 1662), and revised through the Transportation Refinancing Plan, AB 438 (Chapter 113, Statutes of 2001). The source of funds for the TIF is the state motor vehicle fuel sales tax on gasoline. This fund was intended to commit major resources to designated transportation projects that relieve traffic congestion, to the STIP, to the repair and maintenance of local streets and roads, and to the PTA.

TDIF 1. There is no need for a TIF prudent cash balance until the 2008 FE since resources have not been programmed and expenditures are not expected until 2006-07.

TDIF 2. **The TIF Transfer assumption is discussed in the Assumptions Highlights section.**

### TRANSPORTATION DEFERRED INVESTMENT FUND (TDIF)

The TDIF was established by AB 1751 (Chapter 224, Statutes of 2003). The Legislature created the TDIF to facilitate the repayment of funds from the General Fund to the TDIF that is equivalent to the amount not transferred from the General Fund to the TIF in 2003-04. The funds shall be transferred to the TDIF by June 30, 2009. TDIF funds will be distributed similarly to the TIF distribution: 40% of the funds remaining in the TDIF after funds are transferred to the TCRF will be available for STIP programming.

TDIF 1. **The TDIF Repayment assumption is discussed in the Assumptions Highlights section.**